

“FEMA’s Floodplain Map Modernization: A State and Local Perspective”

Opening Statement of Chairman Candice S. Miller

Committee on Government Reform
Subcommittee on Regulatory Affairs

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4710 Pointe Tremble Road
Algonac, Michigan

Good morning. The Subcommittee on Regulatory Affairs will come to order. I would like to welcome everyone to this morning’s field hearing entitled “FEMA’s Floodplain Map Modernization: A State and Local Perspective.”

First, I would like to thank Clay Township for hosting this hearing, particularly Township Supervisor Jon Manos and Clerk Michael Pellerito. I appreciate your assistance as we have prepared for this hearing, and I further appreciate your hospitality here this morning.

The Subcommittee is holding this hearing to examine the state and local impact of the floodplain re-mapping effort currently underway by the Federal Emergency Management Agency—which, as we know, is the agency known as FEMA.

FEMA issues flood maps that delineate areas within the “100-year” flood zone and uses the maps to determine flood insurance rates. A 100-year flood—also known as the base flood elevation—is a calculation that represents a level of flood that has a “one chance in 100” of occurring in a given year. Areas surrounding a potential flood source that are below this base flood elevation are included in the 100-year flood zone.

If a property sits in the floodplain, then the owner is required by law to purchase flood insurance if he or she has a Federally-backed mortgage. If an owner does not purchase required insurance, then the mortgage lender is required to purchase it and add the costs and applicable fees to the mortgage.

The National Flood Insurance Program is beset with inequities. States with little risk of experiencing flooding are funding the program at astronomical rates, while states that we see flooded year after year are essentially using FEMA as their own personal ATMs.

As you can imagine, changes in the flood maps can have dramatic effects on homeowners. FEMA is currently engaged in a project to update flood maps around the nation and convert them to a digital format. Before they began this project, just about every flood map in the U.S. was on paper and most maps were outdated. Effective maps typically do not reflect changes in topography or real estate growth that has taken place over the past 30 years. FEMA and the

Congress both realize the need for modern digital maps, and Congress is currently providing \$200 million per year to FEMA for its modernization initiative.

In St. Clair County, FEMA expects to have new maps in effect by the end of next year. Everyone here can agree that the flood maps in this area are outdated. Here in Clay Township, the current flood maps became effective in 1982—and a lot has changed in the past 25 years. It is important that the flood maps that communities rely on for local building ordinances and are used by homeowners and mortgage lenders to determine flood insurance requirements reflect the growth that has taken place during that time.

But FEMA is proposing to do something that has everyone in this area scratching their heads: They want to raise the base flood elevation an additional 14 inches. According to FEMA, the reason for this proposal is to ensure that the areas flood maps accurately reflect the risk of flooding.

The proposal is based on a 1988 study on water levels in the Great Lakes conducted by U.S. Army Corps of Engineers. We're not here to debate the science behind this study, but the last year of data used by the Corps for the study was 1986—which we all remember is the year that the Great Lakes hit their highest levels in recorded history.

FEMA's proposal seems contradictory to what everyone around here has witnessed over the past 20 years. Lake St. Clair has dropped over three feet since 1986 and is now almost 5 feet below the current base flood elevation. If FEMA goes ahead with its proposal, the new base flood elevation will be 6 feet above the current lake level—even though the lake has been below its historic average since 1998. Over the past 20 years, the lake's average level dropped 11 times. Furthermore in the 88 years that the Army Corps has been tracking lake levels, the lake's level changed an average depth of less than 6 inches per year. Is raising the base flood elevation necessary? Obviously, residents in this area will answer with a defiant "NO."

This is why local residents are upset—FEMA's proposal would be reasonable if this area was actually prone to flooding.

I ask you to focus your attention to the two tables that are on display. The table on your left includes statistics indicating the amount of money different states have paid into the flood insurance program between 1978 and 2002, and how much they taken out. These figures are before the recent hurricane seasons that decimated the gulf coast.

Between 1978 and 2002, there were 10 states that received more in claims than they paid in premiums. These states received over \$1.5 billion more from the program than they paid in, yet the average premium for policyholders in those states was only \$223.

Michigan, on the other hand, paid almost \$120 million more into the program than we received, yet the average premium for Michigan policyholders was almost \$260.

How can this be? I understand the nature of insurance—people that do not experience losses typically subsidize those that do. But I can guarantee that a bad driver is going to pay more for

auto insurance than a person with no accidents. If a private insurance company decided to charge significantly higher premiums for policyholders with little or no history of claims, then they would be hauled in front of the state insurance commissioner and have to beg to keep their license. The owner of the company would be lucky to not have charges of fraud filed against him.

The chart on your right outlines data that is recent through the end of February this year. In four states that seemingly are hit with hurricanes every year, the premiums per policy that will be paid this year in each of those states is an average of \$175 below the rate paid by Michigan policyholders. I ask you to think about that for a second. Michigan residents are paying—on average—51 percent higher premiums than the 5 Gulf States—Louisiana, Mississippi, Florida, Alabama, and Texas.

The natural disasters experienced by this region are terrible—and my thoughts and prayers go out to the families that have lost families and friends and are forced to start their lives anew. But FEMA needs more money to pay for the flood claims of recent years. Under the current program, it can increase funds by only two ways—raise premiums and force more people into the program. To the residents of St. Clair County and the State of Michigan, it seems obvious. They can raise money by forcing more people into the program—knowing that they will not have to pay them back in the form of claim payments.

Municipalities in St. Clair County that would be directly impacted by Lake St. Clair pay nearly \$700,000 more in flood insurance premiums than they can expect to receive in an average year. For the county as a whole, residents will pay about \$924,000 in premiums this year. But in 28 years, the county has received only \$2.7 million from FEMA in the form of claims. This means that St. Clair County alone has paid more than \$8.1 million to FEMA than it has gotten back. The state, the county, and the local communities are all cash cows for FEMA, and FEMA is set to cash in for some more.

What would FEMA's proposal to raise the base flood elevation do to Clay Township? Well, the average premium for the township is roughly \$500. Local officials estimate that a minimum of 700 homes would be brought into the flood insurance program if the proposal is finalized. This means that Clay Township residents would pay an extra \$350,000 per year, or \$770,500 total. In just three years, Clay Township will pay more to FEMA than it has received in flood loss claims over the life of the program.

The impact of FEMA's re-mapping effort goes well beyond the point of direct costs to county residents. Under the flood insurance program, local ordinances must be changed to meet Federal requirements. Structures have been built in compliance with the law at the time; but by raising the base flood elevation, FEMA will essentially force all affected structures into non-compliance overnight. This could result in significant costs for property owners and drive down property values.

I fear that FEMA has not taken the consequences of its proposal into account. County residents stand to lose much more than they gain if the proposal is finalized. The flood insurance program should not be used as an excuse for Federal agencies to get more money. If the complaints of

local officials and residents are true, then FEMA is doing nothing more than using the flood insurance program as a system of tax.

We in Congress need to take a good look at how the flood insurance program is run. It needs to be reformed in order to fix the inequities that are inherent in it. Until that time, though, residents must be ensured that the program is run fairly. I truly hope this is the case.

I want to thank each of the witnesses for being here today. I look forward to your testimony and hope you can shed some light on what the true impact of FEMA's remapping effort will be.

Before we continue, I am delighted to be joined here this morning by my friend and colleague from Ohio, Congressman Mike Turner. Welcome to Michigan, Mike.

Congressman Turner is a lifelong resident of Dayton, Ohio—where he served two terms as Mayor of that great city. His accomplishments are many. And as mayor, he was a strong proponent of neighborhood revitalization, crime reduction, increased funding for safety forces, economic development and job creation. He has brought his stellar record of public service to Washington, and continues to promote the ideals that have endeared to the citizens of Dayton and the surrounding area.

Congressman Turner earned a Bachelors degree from Ohio Northern University, a Masters degree from the University of Dayton, and a law degree from Case Western University School of Law in Cleveland. He was in private practice and corporate law as an attorney for 13 years before he went to Congress.

His record as Mayor of Dayton is very impressive, and he is well on his way to creating an impressive record in Congress. Congressman Turner serves on the House Veterans' Affairs Committee, the House Armed Services Committee, and the Government Reform Committees. He was also named the Chairman of the House Government Reform Subcommittee on Federalism and the Census.

The Congressman and his wife, Lori, have two daughters—Jessica and Carolyn. And his wife is a professional marketer and is the sole proprietor of Dayton-based Turner Marketing.

Mr. Turner, thank you for being here today. This is an issue that extends well beyond St. Clair County and has sparked interest in the flood insurance program in a bicameral and bipartisan way. I'd like to recognize you for any comments you might have.

Premiums Paid vs. Claim Payments Received (1978-2002)

National Flood Insurance Program

State	Total Premiums Paid (in millions)	Payments Received (in millions)	Total Net Benefit (in millions)	Average Premium
Texas	\$1,998.8	\$2,677.7	\$678.9	\$215
Missouri	\$157.4	\$418.9	\$261.5	\$267
North Carolina	\$457.6	\$659.3	\$201.7	\$259
North Dakota	\$42.2	\$132.1	\$90.0	\$186
West Virginia	\$126.3	\$209.3	\$83.0	\$232
Alabama	\$187.3	\$255.0	\$67.7	\$240
Kentucky	\$131.1	\$178.7	\$47.6	\$224
Minnesota	\$54.6	\$99.5	\$44.9	\$221
Mississippi	\$241.0	\$275.8	\$34.8	\$200
Oklahoma	\$90.1	\$99.0	\$8.8	\$226
Michigan	\$156.8	\$37.5	-\$119.3	\$257
Ohio	\$204.3	\$118.9	-\$85.4	\$259

Source: FEMA

Flood Statistics (January 1, 1978-February 28, 2006)

National Flood Insurance Program

State	Premiums Paid Through 2005 <i>(in millions)</i>	Claims Payments <i>(in millions)</i>	Difference <i>(in millions)</i>	Average Premium <i>(2006)</i>
Louisiana	\$1,800	\$14,309.1	\$12,509.1	\$475
Mississippi	\$227	\$2,554.6	\$2,327.6	\$438
Texas	\$2,400	\$2,775.0	\$375.0	\$402
Missouri	\$148	\$421.3	\$273.3	\$616
Kentucky	\$124	\$192.2	\$68.2	\$539
Maryland	\$195	\$225.7	\$30.7	\$405
Iowa	\$51	\$61.8	\$10.8	\$624
Florida	\$9,400	\$3,228.8	-\$6,171.2	\$368
Michigan	\$148	\$39	-\$109.3	\$595
St. Clair County	\$10.47	\$2.34	-\$8.1	\$517

Source: FEMA